Montgomery County Council

From the Office of Council Vice President Roger Berliner April 26, 2011

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NEWS RELEASE

Montgomery Council Vice President Roger Berliner's Statement on Report of County's Pepco Working Group

ROCKVILLE, Md., April 26, 2011—The Montgomery County Council today received the report of the County's Pepco Working Group, which County Executive Isiah Leggett created in October 2010 after a continuing series of winter and summer storms left Montgomery County residents without electric power for extended periods.

The group was charged with identifying and investigating "the causes for frequent outages and the duration of the outages in the Montgomery County portion of the Pepco service area." The group also was asked to compare Pepco's performance in Montgomery County to the performance of other utilities.

Council Vice President Roger Berliner, who has led the Council's efforts to force Pepco to deliver more reliable service to Montgomery County, issued the following statement on the Pepco Working Group's report:

I want to commend the County Executive and his Pepco Working Group for their valuable contribution to our community and our state regulators understanding of both the cost and causes of Pepco's unreliable service.

The Working Group report is an indictment of Pepco. What this report makes clear is something that our citizens know all to well their performance has been unacceptable and has adversely affected our quality of life and our ability to attract and hold businesses. Our community deserves nothing less than a best in class utility and it is the job of the Maryland Public Service Commission to make sure we get it.

The report appropriately recommends that the single most important action that can be taken by those outside the company is to establish a carefully considered, aggressive package of financial incentives and punishments that appropriately align Pepco's priorities with those of the community. I look forward to working with Governor O'Malley and the Public Service Commission to see that happen.

The report makes a number of important observations, including:

- Pepco's reliability on sunny days (eg, non major "event" days) is 75 percent below the industry norm (p. 7)
- The "cumulative reason for overall outages can be largely attributed to internal system failures." (p. 10). Indeed, the "primary" cause of Pepco's unreliability on normal days is a result of "inattention to" and "underinvestment in" its basic distribution system (p. 14)
- Pepco knew or should have known that it had a serious problem, yet these "warnings" were "downplayed, excused, or ignored" (p. 14)
- Pepco has approximately two and a half times fewer employees on staff to respond to a major storm event than BG&E; (p 41)
- Customers in Pepco's service territory experienced approximately three times as many hours of interruption as BG&E's
- Pepco's 6-point plan 'falls short ...in both scope and urgency." (p.iv)
- The Work Group "concurs" with the assessment of an independent consultant that concluded that Pepco's 6 point plan was "cobbled together" in a month out of old discretionary projects that had not been funded and a some new projects; that Pepco itself "does not know whether the plan will achieve its objectives, as it did not perform reliability improvement analysis" (p. 28)
- The cost of the $275 million plan to improve the system pales in comparison to the cost imposed on our community by sustained outages. 50 percent of Montgomery County's business community who responded to the survey believes that Pepco's shareholders should share in the cost of improving the system. (p. 53)
- Our state regulators have not done an assessment of the cost imposed by an unreliable system; Pepco continues to recover its full costs during an extended outage; and there are not the proper economic incentives and disincentives in place (p. 65)
- Even as Pepco’s service "deteriorated", its profits were "unaffected." As the report observes, Pepco does not operate in a "free market" environment in which we could expect a correlation between "quality of service" and "profitability." Instead, we must rely upon our state regulators to provide the appropriate financial incentives, something that has not been done to date (p. 4-5)

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